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Tokyo, April 14, 1939

STRICTLY CONFIDENTIAL

No. 3830

**SUBJECT: NARCOTIC DRUG TRAFFIC IN OCCUPIED AREAS
OF CHINA.**

FILE COPY
RETURN TO ROOM

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to acknowledge the receipt of the Department's instruction No. 1661 of February 16, 1939, and enclosures, relating to the situation in China with respect to the traffic in narcotics and directing the Embassy, after consultation with the British Embassy, to present to the Japanese Foreign Office an aide-mémoire substantially in the form of the draft transmitted with the Department's instruction under acknowledgment.

Inquiry

Inquiry was made of the British Embassy whether instructions had been received from the British Foreign Office to take action along the lines proposed in the Department's instruction. As the Department's instruction was received on March 11th, and the British Embassy notified us on April 10th that instructions had been received from the British Foreign Office to inform us in the event of inquiry that the matter was still under investigation by the British Government, it was decided to carry out the Department's instruction without further delay. Accordingly, the aide-mémoire, without alteration, and its enclosure, were presented to the Foreign Office on April 13, 1939.

The official of the Foreign Office to whom the aide-mémoire and enclosure were presented had no comment to offer other than that the contents would be studied and a reply made in due course.

Copies of the aide-mémoire and enclosure are transmitted
1/ herewith. A copy with enclosure had been furnished the British Embassy.

Respectfully yours,

Joseph C. Grew

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JFMCG:am

Copy to Embassy, Peiping
Copy to Embassy, Chungking
Copy to Consulate General, Shanghai

Enclosure no. 1 to despatch
no. 3830 of April 14, 1939
from the Embassy at Tokyo

The American Embassy to the Ministry of Foreign Affairs.

EMBASSY OF THE
UNITED STATES OF AMERICA

STRICTLY CONFIDENTIAL

AIDE-MÉMOIRE

The Government of the United States appreciates the efforts of the Japanese authorities and of the Japanese companies operating ships in trans-Pacific services in connection with the suppression of the illicit traffic in narcotic drugs between Japan and the United States.

In the parts of China now under Japanese military control, however, according to reports submitted by American officials, Japanese in authority are not taking effective measures to cooperate in the suppression of the abuse of narcotic drugs and illicit traffic therein.

The situation existing in the Japanese-controlled areas in China, as described in the above-mentioned reports received from American officials, is indicated in an enclosure to this aide-mémoire entitled "The Narcotics Situation in the Japanese-Controlled Areas in China".

The Japanese Government shares with the American Government and with other governments the well-recognized obligations under the International Drug Conventions to control the production and distribution of raw opium, to render effective the limitation of manufacture of narcotic drugs to the world's legitimate requirements for medical
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and scientific purposes, to use its efforts to control or to cause to be controlled all those who manufacture, import, sell, distribute and export narcotic drugs, and to cooperate in other ways provided for in these Conventions. The actions in reference to narcotic drugs of the régimes which have been established in those areas of China controlled by Japanese military forces cannot be regarded as limiting the manufacture or controlling the distribution of narcotic drugs. In the light of the situation existing in those areas of China, the Japanese Government has an inescapable responsibility for the importation of opium into those areas, the shipment of opium from one part of those areas to other parts, the manufacture of opium derivatives in those areas, the distribution within those areas of those derivatives, and the shipping out of opium and its derivatives from the occupied areas of China to third countries.

In urging upon the Japanese Government the importance of there being exercised by the Japanese Government the restraining influence which it is in a position to bring to bear upon its nationals in the occupied areas of China and upon the régimes which have been established therein, the Government of the United States desires to point out that the situation existing in the occupied areas is one of deep concern to it because

1. The evidence in the possession of this Government indicates that the heroin found in the illicit traffic in the United States has since 1935 come in large measure from the Japanese Concession in Tientsin.

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2. Practically all of the smoking opium found in the illicit traffic in the United States comes from China and is a blend of Chinese and Iranian opiums. Part of it is prepared in or near Shanghai, part in South China and a little in North China. This type of smoking opium has practically no market in China and is put up solely for the illicit traffic in America. Recent large seizures in the continental United States, at Honolulu, and at Manila point to a substantial increase in the illicit shipment of smoking opium from the Far East to the United States, the amounts of such seized during the last six months of 1938 having been approximately five-sixths of the total amount seized during the year.

Enclosure:

Memorandum, January 14, 1939.

MEMORANDUM

January 14, 1939

STRICTLY CONFIDENTIAL

**Subject: The Narcotics Situation in the
Japanese Controlled Areas in China.**

The representative of the United States at the Twenty-third Session of the Opium Advisory Committee at Geneva in June 1938 presented information in regard to the traffic in narcotic drugs in Manchuria and Jehol and in other parts of China. This information was based for the most part on official reports and was substantially corroborated by the Japanese representative on instructions from his Government.

The representative of the United States stressed points as follows:

(1) With regard to Manchuria and Jehol, there had been no real or effective improvement during the past year in the conditions obtaining in respect of addiction, illicit import, illicit traffic or opium production.

(2) In China between the Yellow River and the Great Wall, which has for some time past been controlled by the Japanese Northern Army, conditions were worse than they were the year before. Legal control lapsed in August 1937 and the illicit traffic increased. The Peiping "Provisional Government", set up and maintained by the Japanese Army, took a hand in the narcotics situation soon after the establishment of that regime. It rescinded by its Order no. 35 of February 24, 1938, the Chinese Central Government's provisional anti-opium and anti-narcotics laws and regulations and all persons who were being detained under those laws and regulations were promptly released from prison. The narcotics situation became progressively worse.

(3) In a period of fifteen months, 650 kilograms of heroin were exported to the United States from the Japanese Concession in Tientsin

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by a group operating in this trade there. This amount was sufficient to supply some 10,000 addicts for a year.

(4) In Shanghai, control appeared to have broken down completely except in the French Concession and in the International Settlement.

(5) Huge quantities of Iranian opium were reliably reported to have arrived in North China and in Shanghai consigned to Japanese firms and intended, in some instances, for Japanese army officers, while further large consignments were en route to those destinations under similar auspices and still others were on order.

Since last June, the American Government has continued to receive from official sources additional alarming information in regard to the traffic in narcotic drugs in those parts of China controlled by Japan, as follows:

Manchuria and Jehol:

The Director of the Opium Section of the Municipality of Harbin informed the press on May 4, 1936 that the number of unlicensed opium dens in the city of Harbin was estimated at about 1,000 as against 76 that were licensed.

The authorities in Pinking Province (in which Harbin is located) estimated in June 1936 that in the Province there were approximately 8,000 Japanese and Koreans addicted to opium, morphine, or heroin.

The Opium Administration Section of the Department of People's Welfare of "Manchukuo" announced on August 23, 1936 that reports received from provinces and cities, in connection with the 10-year anti-opium campaign, showed that the total number of registered addicts in Manchuria and Jehol was 585,267.

Tientsin:

Tientsin:

In a report from the American Consul General at Tientsin dated November 3, 1938 it is stated that, notwithstanding an announcement in the local press to the effect that all opium dens in the Japanese Concession of Tientsin had been closed on October 1, many small places in that Concession continue to dispense opium, that the larger dens in the Japanese Concession were closed, but that those dens which had been operating in the Japanese Concession are now operating in the areas nominally controlled by Chinese outside the Japanese Concession, and that the number of such places operating is conservatively estimated at 500. According to a reliable informant at Tientsin, all varieties of habit-forming drugs known to the Japanese trade continue to be readily purchasable in numerous places in the Japanese Concession.

The daily newspaper, Yunapao, published in the Chinese language at Tientsin and controlled by the Japanese authorities, contained the statement in its issue of November 18, 1938 that the Tientsin Branch Consolidated Tax Office had received instructions from its head office in Peiping to permit the operation of an additional 25 opium dens, bringing the total of licensed opium dens in the nominally Chinese-controlled areas of Tientsin to 189.

Peiping:

It is reliably reported that the only restriction existing in Peiping in regard to establishing shops for the sale and/or smoking of opium is the payment of taxes.

As a result, there were estimated to be some 300 such establishments in Peiping in October 1938. Heroin was also being sold at that time at many places in the city with no evidence of any effort being made to stamp out the trade.

Tsinan:

At Tsinan, since the Japanese occupation, the Tsinan Branch of the Consolidated Tax Bureau has permitted the sale of opium publicly upon the payment of certain taxes. At the end of September 1938 there were four shops authorized to sell raw opium and 40 shops authorized to sell opium paste. By the end of November 1938 the number of shops selling opium paste had increased from 40 to 136. It was reported that, during November 1938, raw opium to the amount of 100,000 taels arrived at Tsinan via the Tsin-pu Railway from the north and that 10,000 taels of that amount were transhipped at Tsinan to other large cities and towns in the interior.

Nanking:

The American Embassy at Nanking has forwarded copies of a letter dated November 22, 1938 by Professor H.S. Bates, in regard to the narcotics situation in Nanking. In the opinion of the Embassy, Dr. Bates is an experienced investigator and a man of unquestioned integrity. He states that, prior to 1938, the present generation had not known large supply and consumption of opium in Nanking nor open sale in a way to attract the poor and ignorant, especially during the five years preceding 1938, and that heroin was practically unknown.

unknown. Dr. Bates' investigation disclosed that, as a result of changes brought about in 1938, legalized opium sales in Nanking amounted to \$2,000,000 monthly and that heroin sales in the area of which Nanking is the center amounted to \$3,000,000 monthly (Chinese currency). Dr. Bates reported that, according to a private estimate, there were at least 50,000 heroin addicts in a population of 400,000. He stated that there were many young people of both sexes among the addicts; that the public opium system in Nanking, the major supplies for which are reported as coming from Peiren through Shanghai, was controlled by the "Opium Suppression Bureau" which is under the Finance Office of the Nanking Municipal Government; and that the Bureau's regulations and by-laws were concerned mainly with bringing all private trade and consumption into the revenue net. Dr. Bates also stated:

"It is commonly reported that the Special Service Department of the Japanese Army has close and protective relations with the semi-organized trade in heroin."

He further pointed out that:

"There is general testimony that a good deal of the wholesale trade is carried on by Japanese firms which outwardly deal in tinned goods or medicines, but handle heroin through rooms in the rear."

Shanghai:

The American Consulate General at Shanghai, in forwarding copies of a series of articles by Mr. C. D. Alcott which were published in The China Press on December 4, 5, 6, and 7, 1938, observed that the articles were believed to give a fairly accurate picture of the present narcotics situation in Shanghai, as much of the factual matter contained therein was understood to have been obtained from the Narcotics Section of the Shanghai Municipal Police and from the records of the Special District Courts. The

Consulate

Consulate General added that the traffic was most active in areas controlled by the Japanese; that no visible efforts were being made by the Japanese or the new administrations to suppress the traffic; and that the traffic appeared likely to increase in Japanese controlled areas around Shanghai.

Pointing out that the application and enforcement of the drastic anti-narcotic laws and regulations promulgated by the National Government during the latter part of 1936 had resulted in a marked diminution in the traffic in heroin and morphine and in some decrease in the opium trade, Mr. Aleott writes that, since the Shanghai area came under Japanese control, heroin, morphine, and similar derivatives have been reintroduced into the area; that the importation and distribution of these drugs have been steadily increasing; that between 60 and 70 stores located in areas immediately adjacent to the International Settlement and the French Concession are now selling these drugs; that a total of about \$1,500,000 (Chinese currency) is being spent monthly by the addicts for narcotic drugs, of which \$250,000 is spent for heroin; that an increasing number of coolies and poor laborers are using heroin and derivatives; that Jehol opium is now the chief source of supply for cheap drugs in the Shanghai area and that most of the heroin comes from Lairen and Shan-haikwan; that no effort is being made by the Japanese authorities or the Chinese administrations under their direction to suppress the traffic in narcotics in the areas controlled by them; and that, in fact, there is considerable evidence to show that many Japanese are deeply involved in the importing and sale of opium, heroin and other derivatives, including, according to some authorities on the subject, a group within the

the Special Affairs Organ of the Japanese military.

The alarming description given by Mr. Aleott of conditions in the Shanghai area is in large measure substantiated by information received from other reliable sources.